



# **The Commonwealth of Massachusetts**

## **DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

### BAY STATE GAS COMPANY

D.T.E. 05-27

#### **TWENTY-FIRST SET OF INFORMATION REQUESTS OF THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO THE COMPANY**

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Pursuant to 220 C.M.R. § 1.06(6)(c), the Department of Telecommunications and Energy ("Department") submits to Bay State Gas Company ("Bay State" or "Company") the following set of Information Requests for response within SIX CALENDAR days of issuance:

DTE 21-1 Refer to Exhs. BSG/LRK-1, at 2 and BSG/SHB-1, at 11. Please demonstrate that the Company's proposed PBR plan satisfies the following criteria set forth by the Department by which PBR proposals for gas and electric companies would be evaluated (See Incentive Regulation, D.P.U. 94-158, at 58-64 (1995)). These criteria require that the PBR plan:

- 1) comply with Department regulations, unless accompanied by a request for a specific waiver;
- 2) be designed to serve as a vehicle to a more competitive environment and to improve the provision of monopoly services, while avoiding the cross-subsidization of competitive services with revenues derived from monopoly services;
- 3) not result in reductions in safety, service reliability or existing standards of customer service;
- 4) not focus excessively on "cost recovery" issues; i.e., if a proposal addresses a specific cost recovery issue, its proponent must demonstrate that these costs are exogenous to the company's operations;
- 5) focus on comprehensive results; i.e., broad-based proposals should satisfy this criterion more effectively than narrowly-targeted proposals;

- 6) be designed to achieve specific, measurable results by identifying, where appropriate, measurable performance indicators and targets that are not unduly subject to miscalculation or manipulation; and
- 7) provide a more efficient regulatory approach, thus reducing regulatory and administrative costs (proposals should present a timetable for program implementation and specify milestones and a program tracking/evaluation method).

DTE 21-2 Refer to Exhs. BSG/LRK-1, at 2 and BSG/SHB-1, at 11. Please describe how the five-year term of the proposed PBR Plan and the Company's return on equity are related. Include a discussion of whether an extension of the term by one-year increments or the implementation of a ten-year PBR Plan would affect the Company's required return on equity. Provide illustrations to support your answer.

DTE 21-3 Refer to Exhs. BSG/LRK-1, at 2 and BSG/SHB-1, at 11. Please discuss whether, how, and to what extent a rejection or modification of the PBR plan proposed by Bay State (i.e., no PBR, ten year term, etc.) will affect the Company's rate case filing in this proceeding.

DTE 21-4 Refer to Exh. BSG/LRK-1, at 7-8. Is Bay State proposing a mid-term review of the proposed five-year PBR plan? Discuss.

DTE 21-5 Refer to the Company's responses to the Department's information requests DTE 4-47 and DTE 4-48. Please state the advantages and disadvantages of a ten-year PBR Plan similar to that approved in Boston Gas Company, D.T.E. 03-40, at 494-497 (2003). Compare and contrast with the Company's proposal "to continue the PBR Plan on a year-to-year basis after the initial five-year term until such time it believes it can no longer achieve the intended efficiencies of the Plan that allow for optimal customer service, operational flexibility and reasonable Company earnings." Please discuss.

DTE 21-6 Refer to the Company's response to the Department's information request DTE 4-48. Please explain the reasons why "rather than notifying the Department each year of its intention of continuing the Plan, it is proposing to notify the Department of discontinuing the Plan by virtue of filing with the Department the Company's intent to file for a general rate increase."

DTE 21-7 Refer to Exhs. BSG/LRK-1, at 2 and BSG/SHB-1, at 11. Please discuss how the Company's proposed PBR Plan is consistent with G.L. c. 164, § 1E(b).

- DTE 21-8 Refer to Exh. BSG/JAF-1, at 36. If the indirect GAF includes on-system LNG and propane plants, why are the operating and maintenance expenses and the depreciation expense on these assets not included in Exh. BSG/JES-1, Sch. JES-5?
- DTE 21-9 Refer to Exh. BSG/JLH-2, Sch. JLH- 2-1, at 3. Please reconcile the total company revenues on line 5 of \$478,651,282, with the total revenues of \$481,909,253, reported in Exh. BSG/JES-1, Sch. JES-4, line 20.
- DTE 21-10 Refer to Exh. BSG/JLH-2, Sch. JLH-2-1, at 5. Please reconcile the total rate revenue of \$483,809,637 with the total revenues of \$481,909,253 reported on Exh. BSG/JES-1, Sch. JES-4, line 20.
- DTE 21-11 Refer to Exh. BSG/JLH-2, Sch. JLH-2-4, at page 8-1. Please reconcile the sum of the total production and delivery revenues (\$339,811,205 + \$159,596,767 = \$499,407,972) with the total revenues of \$481,909,253 reported on Sch. JES-4, line 20.
- DTE 21-12 Refer to Exh. BSG/JLH-2, Sch. JLH-2-4, at page 10-1. Considering that gas costs are included in the Gas Cost of Service Study, why are indirect gas costs and DAF-recovered costs not included in the Cost of Service Study?